

# High Yield Conservative

## MANAGEMENT TEAM

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## OBJECTIVE

Seeks to maximize total return through research driven security selection while managing downside risk through careful portfolio construction

## HIGHLIGHTS

- Portfolio guidelines are broad, offering significant investment flexibility
- Bottom-up investment evaluation drives portfolio investments and the resulting sector allocation
- Bottom-up security selection in the US high yield market is a primary driver of performance; other sources of excess return consist of country/currency management and yield curve/duration positioning
- Security selection in additional sectors of the market as opportunity is identified through bottom-up process consistent with top-down themes:
  - Investment grade corporate debt
  - Emerging markets debt
  - Non-US dollar issues
  - Convertible securities
  - Preferreds
- Typical portfolio: 125+ issuers
- 5% maximum per issuer with typical positions of 1% (GSEs excluded)
- Industry maximum: 25%

## BENCHMARK

Bloomberg Barclays US  
Corporate High Yield Index

### FACTS

Strategy inception	1/1/89
Composite inception	1/1/89
Strategy assets	\$2,230.1M
Composite assets	\$72.6M

### PORTFOLIO CHARACTERISTICS

	Composite	Index
Average maturity	5.50 yrs	5.10 yrs
Average duration	4.00 yrs	3.80 yrs
Average yield	5.97%	6.24%
Average credit quality	BA3	B1
Average number of issues	283	-
Weighted average coupon	5.24%	6.35%
OAS	242 bps	314 bps

## COMPOSITE PERFORMANCE (%)

	CUMULATIVE RETURN		AVERAGE ANNUALIZED RETURN				
	3 MO	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION
<b>GROSS</b>	2.11	1.73	2.58	7.43	4.99	9.11	9.59
<b>NET</b>	1.98	1.35	2.07	6.90	4.54	8.71	9.25
<b>BENCHMARK</b>	2.40	2.57	3.05	8.15	5.54	9.46	8.11

## COMPOSITE PERIOD PERFORMANCE (%)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>GROSS</b>	9.38	13.84	-6.41	4.89	6.06	16.32	4.06	15.72	51.64	-23.72
<b>NET</b>	8.83	13.28	-6.83	4.60	5.76	15.99	3.74	15.36	51.11	-24.00
<b>BENCHMARK</b>	7.50	17.13	-4.47	2.45	7.44	15.81	4.98	15.12	58.21	-26.16

The composite includes out-of-benchmark allocations to sectors or investments that evolve over time.

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**Performance data shown represents past performance and is no guarantee of future results. Current performance may be lower or higher than quoted.** Returns are shown in US dollars and are annualized for one and multi-year periods. Gross returns are net of trading costs. Net returns are gross returns less effective management fees.

There is no guarantee that the investment objective will be realized or that the strategy will generate positive or excess return.

Average Yield is Yield to Effective Maturity. Duration and Maturity for equity securities are deemed to be zero.

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SECTOR DISTRIBUTION (%)		
	Composite	Index
High Yield Credit	67.3	99.2
Convertibles	10.7	-
Investment Grade Credit	7.8	0.2
Emerging Market Credit	5.0	0.6
US Treasury	3.4	-
Non-US Dollar	2.4	-
Securitized	0.9	-
Equity	0.6	-
Cash & Equivalents	1.8	-

CURRENCY DISTRIBUTION (%)		
	Composite	Index
US Dollar	99.1	100
Developing Countries	0.8	-
Canadian Dollar	0.1	-
British Pound Sterling	0.1	-

COUNTRY DISTRIBUTION (%)		
	Composite	Index
United States	76.1	85.8
United Kingdom	3.6	2.0
Canada	3.5	4.1
Netherlands	2.4	0.9
Germany	2.3	0.7
Italy	2.3	0.9
Brazil	1.9	0.1
Argentina	1.2	-
Mexico	1.1	-
Other	5.5	5.5

CREDIT QUALITY (%)		
	Composite	Index
US Treasuries	-	-
AAA	3.4	-
AA	-	-
A	-	-
BAA	9.3	0.2
BA	47.1	42.7
B	24.8	42.0
CAA & Lower	7.6	15.0
Not Rated	5.8	0.1
Cash & Equivalents	1.8	-

DURATION DISTRIBUTION (%)		
	Composite	Index
Less than 1 Yr.	6.2	7.2
1 to 3 Yrs.	26.7	29.1
3 to 5 Yrs.	37.4	41.9
5 to 7 Yrs.	18.9	16.1
7 to 10 Yrs.	5.9	3.4
10 Yrs. or more	3.0	2.3
Cash & Equivalents	1.8	-

MATURITY DISTRIBUTION (%)		
	Composite	Index
Less than 1 Yr.	5.8	8.9
1 to 3 Yrs.	22.7	20.9
3 to 5 Yrs.	24.7	27.6
5 to 7 Yrs.	19.6	21.5
7 to 10 Yrs.	17.9	16.0
10 Yrs. or more	7.5	5.2
Cash & Equivalents	1.8	-

## KEY RISKS

Credit Risk, Issuer Risk, Interest Rate Risk, Liquidity Risk, Non-US Securities Risk, Currency Risk, Prepayment Risk and Extension Risk. Investing involves risk including possible loss of principal.

*Due to rounding, Sector, Currency, Country, Credit Quality, Duration and Maturity distribution totals may not equal 100%. This portfolio is actively managed and characteristics are subject to change. Credit Quality reflects the middle credit rating assigned to individual holdings of the composite among Moody's, S&P or Fitch; ratings are subject to change. Cash & Equivalents may include unsettled trades, fees and/or derivatives. ABS/RMBS: Asset-Backed Securities/Residential Mortgage-Backed Securities. Agency MBS: Agency Mortgage-Backed Securities. CMBS: Commercial Mortgage-Backed Securities. Emerging Markets Debt in the sector distribution is defined as US dollar denominated, non-investment grade bonds, which are from a country on the firm approved Emerging Markets list based on Bloomberg Barclays Emerging Markets Ex-Aggregate Index.*

*The High Yield Conservative Composite includes all discretionary separate accounts with market values greater than \$5 million managed by Loomis Sayles with investment guidelines that allow greater than 50% in high yield but have a threshold on average quality of BB- or higher or restrict the use of securities below BB- to 30%. Where allowed by guidelines, accounts in the Composite may allow limited exposure to one or two of the following non-index sectors: foreign issuers, foreign currency, or emerging market debt. Proprietary quantitative models are employed in portfolio construction and risk assessment. Loomis Sayles's security level research is a primary alpha source for this product. The Composite was created in 2003. For additional information on this and other Loomis Sayles strategies, please visit our web site at www.loomisayles.com.*

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